

Joint Statement on UK Indonesia Joint Trade Review

The Joint Trade Review (JTR) between the Republic of Indonesia and the United Kingdom was set up in recognition of the importance of deepening the trade and investment relations to facilitate economic growth. It has been concluded 18 months after its establishment in October 2019 during the Trade Expo Indonesia in Tangerang, Indonesia.

The objectives of the JTR are (i) to provide a view of the current trade and investment relationship and identify the basis on which the trade and investment relationship can be best enhanced in the future, and (ii) to develop potential recommendations for improving trade cooperation and engagement, including by reflecting views of business, and developing a roadmap to achieving success.

The findings of the review are as follows:

Overview of Bilateral Trade and Investment Relations

Indonesia and the UK have substantial two-way trade but there is room for improvement. According to Indonesia's data, bilateral trade reached \$2.39 billion in 2019 and enjoyed 1.15% average annual growth rate from 2015-2019. In services, trade was growing on average annually 8.33% in 2015-2019 or increasing from US\$ 1.02 billion in 2015 to US\$ 1.98 billion in 2019. The UK's data shows that bilateral trade in goods and services between the UK and Indonesia was worth US\$ 3.8 billion (constant 2019 dollars) in 2019, an increase of 2.6% or US\$ 98 million since 2018 in USD terms. In 2019, Indonesia accounted for 0.47% of the total UK outward FDI stock, and ranked 29th as a destination for UK FDI, and 20th as a destination for UK FDI outside the EU.

Indonesia and the UK already have a wide-ranging bilateral relationship, encompassing political, defence and security, education, commerce, development, and socio-cultural links. Both countries work closely together in various fora, including the UN, WTO and G20. Cooperation will expand further in the future given the importance of international trade to both countries. The UK's ODA programmes have also helped support the development of the Indonesian economy, reduce poverty and strengthen social inclusion.

Priority Sectors

Indonesia and the UK have agreed on a number of priority sectors following bilateral discussions, which include business and stakeholder engagement, and data analysis. The agreed priority sectors are: Food, Beverages, and Agricultural Products; Education and Training; Renewables / Green Energy (inc. green project finance and energy transition); Infrastructure and Transportation; Wood and Wooden Products; Financial and Professional Services; Pharmaceuticals and Healthcare/Life Sciences; Technology; and

Creative Economy.

Challenges and Opportunities

Both sides recognise the challenges and opportunities in the identified priority sectors. In general terms, UK businesses expressed concerns on foreign ownership restrictions and local content requirements, restrictions on foreign professionals operating in Indonesia and complex bureaucratic processes to enter the market. Indonesia's businesses expressed their concern on the future of the UK's regulations post-Brexit, high standards for certain products, lack of recognition between qualifications for professionals, and future regulations related to the UK's environmental goals.

To address such concerns and challenges to the extent possible, the JTR underlines the importance of intensifying dialogue between all stakeholders, including government and business. Both sides also have identified specific cooperation areas in each priority sector to explore further, bearing in mind that domestic regulations are imposed in non-discriminatory basis to all trade and investment partners and certain changes require higher commitments such as a formal trade agreement.

Recommendations on the Mechanism to Enhance Economic Relations

The JTR underlines the importance of providing a forum for dialogue to find solutions to identified issues and barriers. It recommends the establishment of a new, annual Joint Economic and Trade Committee ("JETCO") at Ministerial level, with an underpinning Senior Officials Meeting. This forum will: (i) explore opportunities to identify and resolve barriers to trade and investment; (ii) promote, facilitate and develop trade, investment and economic cooperation; and (iii) facilitate private sector communication between both countries.

In the future, Indonesia and the UK may explore the possibility of pursuing a higher level of economic partnership, such as a formal trade agreement, in order to fully optimise the potential between our two economies.